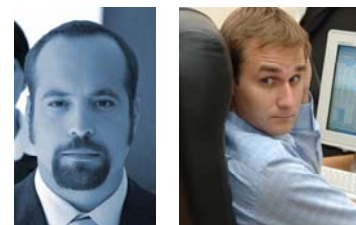




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## Analyst's Notebook

Ukraine/Financial Services  
August 21, 2006

### Ukrainian M&A Frenzy Continues Despite Political Circus

The political turmoil in the 1H06 and the arrival of the Yanukovich government has done little to tame the lust foreign investors have for the Ukrainian market or dampen growing interest in the next fad - Ukrainian insurance companies.

#### Ukrainian Bank Lust Unabated By Politics

With more than 10 acquisitions or private placements, 2006 has been the year of the Ukrainian bank. The sector has been a lightning rod for M&A activity, with even small banks drawing the interest of portfolio investors and global majors. As we head into autumn there seems to be no end in sight to Ukrainian bank fever: In July Austria's Erste Bank agreed to buy a 50.5% stake in Prestige Bank, Ukraine's 54<sup>th</sup> largest bank by assets for USD 35.3 mln. Prestige has only been in existence for about six months. Additionally, Greece's Eurobank bought a 99.3% stake in Universalny Bank (#77 by assets), Russian Standard Bank purchased a more than 50% stake in Ukraine's Avtoinveststroybank (#163 by assets) for USD 9.2-10 mln and PPF Group has agreed to buy a 100% stake in Agrobank for USD 26-32 mln. Hungary's OTP Bank is also interested in purchasing another major Ukrainian bank and was reportedly close to buying Sergey Tyhypko's TAS Commercebank, but was put off by its USD 700 mln price tag. Though no longer bargain-priced, several other names including Ukreximbank (#6, planning 2007 IPO), Nadra Bank (#9), Brokbiznesbank (#10), and UKrgazbank (#19, planning IPO in 2006), along with some smaller regional banks look primed the top stories this fall and beyond.

#### Deals In The Ukrainian Banking Sector

Date	Buyer	Target	Acquired stake
Jul-06	PPF Group (Czech Rep)	Agrobank	USD 26-32* mln for 100%
Jul-06	EFG Eurobank (Greece)	Universalny	USD 30-40* mln for 99.3%
Jul-06	Russian Standard	Avtoinveststroybank	USD 9.2-10 mln for a <50% stake
Jul-06	Erste Bank (Austria)	Prestige Bank	USD 35.3 mln for 50.5%
Apr-06	Portfolio investors	Ukrinbank	USD 30 mln for 20%
May-06	OTP Bank (Hungary)	Raiffeisenbank-Ukraine	USD 833 mln for 100%
Apr-06	Portfolio investors	Rodovid Bank	USD 37 mln for 19%
Mar-06	Portfolio investors	Megabank	USD 19 mln for 20% stake
Mar-06	Credit Agricole (France)	Index Bank	USD 264 mln for 100%
Feb-06	Banca Intesa (Italy)	Ukrsotsbank	USD 1.16 bln for 88% stake
Jan-06	Vneshtorgbank (Russia)	Mriya	USD 70 mln for 98% stake
Dec-05	BNP Paribas (France)	Ukrsibbank	~USD 350 mln for 51% stake
Oct-05	Portfolio investors	Forum	USD 20 mln for 10%
Aug-05	Raiffeisen International	Aval Bank	USD 1.028 bln for 93.5% stake
Apr-04	PKO Bank Polski (Poland)	Kredyt Bank	USD 30 mln for 66.65%
Jan-04	Vilniaus Bankas (Lithuania) (member of SEB group)	Azhio Bank	EUR 23.3 mln for >90%

\* Concorde Capital estimates

### *Insurance: The Next M&A Fad?*

Though they have been overshadowed by all the noise in the banking sector, Ukrainian insurers have perked the interest of some of Europe's largest companies. In May, UNIQUA Group acquired 35% of Credo-Classic, Ukraine's 11<sup>th</sup> largest insurer in terms of gross written premiums. According to the agreement UNIQUA made with Globus the latter will gradually take control of the company's shares and have a 76% stake by 2009. Shortly after the deal was announced Austria's Wiener Stadtische AG bought a 51% stake in Globus (90<sup>th</sup>). Wiener Stadtische also controls two other Ukrainian insurers Knyazha and Jupiter. Then in June Italy's Generali Group signed an agreement with UkrAvto Group to acquire a 51% stake in Ukraine's Garant Avto and Garant Life insurance companies. Garant Avto and Garant Life ranked seventh and third respectively in gross written premiums in 9M05. Other companies have expressed interest in the Ukrainian insurance segment, France's BNP Paribas announced plans to buy or create an insurance company by the end of 2006, while the government said it plans to sell the state's 25%+1 stake in Ukraine's fourth largest insurer, Oranta by the end of the year. With names like Universalna (14<sup>th</sup>) talking with strategic investors, look for the sector to grab more headlines.

#### **Top 15 Largest Ukrainian Insurance Companies**

Company	Gross Premiums '05 USD mln	Growth Rate yoy	Location	Ownership
Lemma	133.7	114%	Kharkiv	Controlled by Sergey Cherneshiv and UK companies connected to him.
Zemskaya Insurance	78.0	n/a	Luhansk	
Oranta	77.6	155%	Kyiv	Controlled by Pinchuk related companies. Ukrosotsbank controls 14.4% and the state has 25% .
Kremen	66.0	n/a	Donetsk	
Avante	51.1	45%	Kharkiv	
Granat Avto	47.0	161%	Kyiv	Generali Group has agreed to buy a 51% stake from UkrAvto. The later still controls 22.5%.
ASKA	39.4	91%	Kyiv	Controlled by SCM or SCM-related parties.
AURA	39.2	53%	Dnipropetrovsk	Interpipe has a 64.4% stake in the company.
Ingo Ukraine	37.4	123%	Kyiv	Russia's Ingostrakh has a 65% stake in the company.
Garant	34.2	59%	Kyiv	Generali Group has agreed to buy a 51% stake from UkrAvto.
Credo-Classic	33.6	133%	Kyiv	UNIQUA recently purchased a 35% stake.
Credo	31.7	221%	Zaporizhzhia	
Ukrainian Fire Insurance	29.5	138%	Kyiv	
Universalna	28.3	146%	Lviv	Universal Investment Group
General Insurance Fund	24.8	126%	Kyiv	

Source: Insurance Top Ratings, ProUA

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